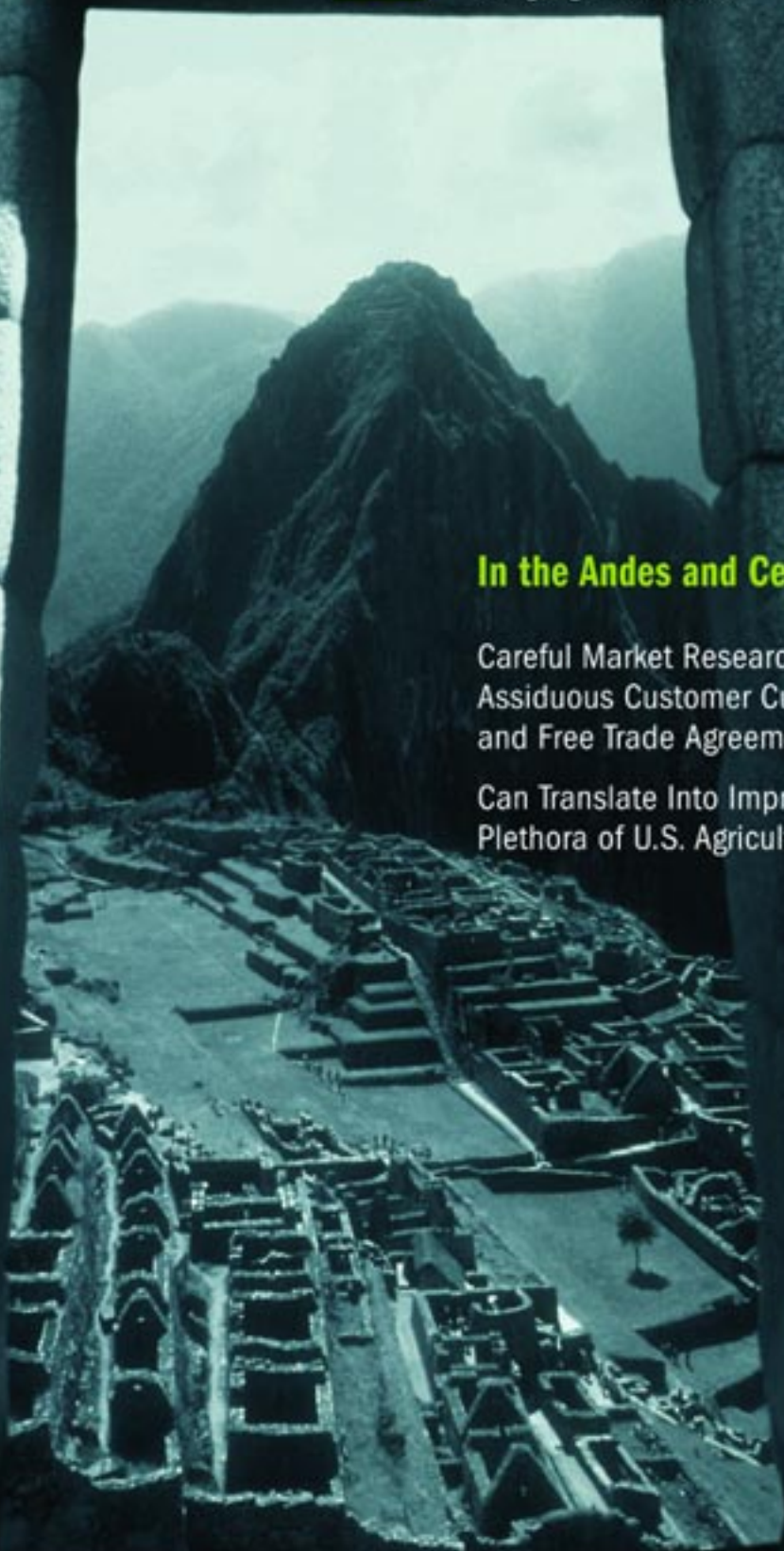


The Monthly Magazine for Food and Agricultural Exporters

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

September 2004



In the Andes and Central America

Careful Market Research,
Assiduous Customer Cultivation
and Free Trade Agreements

Can Translate Into Improved Access for a
Plethora of U.S. Agricultural Products



TRADE SHOW OPPORTUNITY

USA PAVILION AT SIRHA 2005

LYON, FRANCE

The Show:

Sirha, held biennially, is a premier international forum for the food service sector. Sirha has become a world-class show and is fast becoming *the* international event for the food service sector. In 2003, Sirha welcomed 164,000 visitors, including hotel/restaurant managers, caterers, wholesalers, importers, and distributors from supermarkets and the food service and retail sectors.

Location:

Lyon, France

Dates:

Jan. 22-26, 2005

Deadline:

Nov. 1, 2004

The Market:

In Europe, the food service sector is valued at \$291 billion, including \$83 billion in France, where more than 9 billion meals are served yearly. This sector has been growing at an annual rate of 6 percent.

For U.S. companies, the show will be an excellent opportunity to reach key players in this rapidly expanding sector in France, and in Europe as a whole. Sirha is the ideal place to test and launch new products and flavors, and is the only place in the world to exhibit both products and equipment for the European food service sector.

Best Product Prospects:

Fish and seafood, meats, ethnic foods, soft drinks, wines, fruits and vegetables, sauces and seasonings, and breakfast cereals

Consider participating in the USA Pavilion at this USDA-endorsed event.

Contact:

Sharon Cook
FAS Trade Show Office
Washington, DC
Tel.: (202) 720-3425
Fax: (202) 690-4374
E-mail: Sharon.Cook@usda.gov



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It's a work in progress, but U.S. exporters stand to reap substantial benefits from the U.S.-Andean Free Trade Agreement.

Rx for Entering Mexico's Vigorous Health Food Market **7**

Although it requires some TLC, Mexico's burgeoning health food market offers U.S. suppliers considerable opportunities. Detailed market knowledge, a suitable business plan, establishment and cultivation of contacts, and product promotion are key to making the most of this market.



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Attractive pricing, quality, availability—and strong demand—have propelled U.S. scallop sales to the European Union.

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Fine dining ranks at the top of tourist—and resident—agendas.



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Editor

Priscilla B. Glynn

Writers

Harold Kanarek
Mary Rekas
Donald Washington
Priscilla B. Glynn

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U.S.-Andean FTA Promises More Market Access

Negotiations for the U.S.-Andean FTA (Free Trade Agreement) are underway. With the fourth of seven rounds completed this September, negotiators from the United States, Colombia, Peru and Ecuador anticipate a final agreement in January 2005.

The FTA will maintain the general principles of duty- and quota-free access for agricultural products and, in particular, will address nontariff measures that now

restrict U.S. exports to these South American nations.

The United States also hopes that Bolivia, as yet an observer to the trade talks, will become a party to the agreement.

Two-way agricultural trade between the United States and the three countries totaled \$2.7 billion in calendar 2003. Imports from the region amounted to \$1.9 billion, while exports came to \$846 million.

Trade Capacity Building Important

Improved access to the region's 92.4 million consumers (including Bolivia) can

not only help U.S. producers sell more products, but can also help foster economic growth, improved living standards and higher paying jobs in the Andean nations.

Though it cannot happen overnight, the institutional trade capacity building aspect of the FTA is vital. Improving a country's ability to take part in trade negotiations and implement agreements provides basic tools that can aid in the liberalization process. The next step connects trade liberalization to internal programs for reform and growth. The resulting closer political and commercial ties strengthen



democratic, stable governments and reinforce security.

The United States has a vested interest in increasing the prosperity of Andean consumers, because they will be future customers, especially for the fastest-growing U.S. export category—consumer-oriented foods.

Why Andean Nations, Now?

There are compelling market access issues that make an Andean FTA a high priority for the United States. The FTA will grant U.S. products the same access preferences as those from other Latin American countries and help ensure that the United States maintains preferential access over major competitors including Canada and the EU (European Union).

An FTA will protect and increase the U.S. market share of agricultural products, especially for grains, fresh fruits and vegetables, processed foods and meats.

Colombia Largest U.S. Agricultural Destination in South America in 2003

	Colombia	Peru	Ecuador
U.S. agricultural exports	\$512 million	\$234 million	\$100 million
Top U.S. exports	Corn, wheat, cotton, soybeans	Wheat, corn, soy products, cotton, dried peas and lentils	Wheat, coarse grains, cotton, soybean meal and fresh fruits
U.S. products likely to benefit under Andean FTA	Almonds, apples, rice, wines, stone fruits, pork, poultry, beef, dairy products and pet foods	Cotton, wheat and other grains, processed products, fruits and wines	Fruits, vegetables, wheat and other grains, processed products and pork

Trade Agreements Stacking Up

South American countries have signed on to many trade agreements that have broadened and increased trade among partners.

The CAN (the Andean Community of Nations) consists of Colombia, Bolivia, Ecuador, Peru and Venezuela. The CAN has policies and procedures designed to govern agricultural production and trade among the members.

The CAN is part of ALADI, the Latin American Integration Association, established in 1980. ALADI promotes economic cooperation and multilateralism among its members by mandating that any free trade agreement among members must be readily extended to any other member.

In July 2004, CAN countries also formed a South American free trade zone with MERCOSUR (Brazil, Argentina, Paraguay and Uruguay). Individual CAN

Regional Agreements Thrive in South America

Andean FTA Countries



CAN (Andean Community of Nations)



ALADI (Latin American Integration Association)



agreements with special applications have been worked out with Brazil and Argentina.

Colombia Leading Marketplace

Colombia is the United States' largest South American trading partner. The ATPDEA (Andean Trade Promotion and Drug Eradication Act) was implemented in 2002. ATPDEA extended and expanded U.S. preferential treatment of products from Colombia (as well as Bolivia, Peru and Ecuador) under 1991's ATPA, or Andean Trade Preference Act. Valid through 2006, ATPDEA provides preferential zero-duty treatment for most Colombian products.

Besides its Andean Pact connections, Colombia has bilateral trade agreements with Chile, Brazil and Paraguay—and is exploring a trade agreement with Canada, which could negatively impact U.S. wheat exports if the United States does not achieve preferential access through an FTA.

While a member of the CAN, Peru has negotiated bilateral tariff preferences with Mexico, Paraguay, Argentina, Brazil and Uruguay. It is completing an agreement with Chile and has begun talks with Thailand.

Ecuador grants and receives tariff exemptions on certain agricultural products traded with fellow CAN members Colombia, Venezuela, Peru and Bolivia. The country also has a bilateral agreement with Chile. Negotiations are ongoing with Mexico.

Under ATPDEA, virtually all of Ecuador's agricultural exports enter the United States tariff-free.

Nontariff Barriers Throttle Trade

Andean countries now apply several measures that restrict U.S. agricultural

U.S.-Andean Region Agricultural Trade

Top 10 U.S. Exports	Top 10 U.S. Imports
Wheat	Bananas
Corn	Other fresh fruits
Cotton	Coffee products
Soybean products	Cut flowers
Feeds and fodders	Vegetables and preparations
Horticultural products	Nursery products
Essential oils	Sugar products
Inedible tallow	Cocoa products
Poultry products	Tree nuts
Processed cocoa	Grains and feeds

exports: price bands, absorption agreements and discretionary import licensing.

The intent of the **price band system**, an import duty based on domestic and international prices, was to compensate domestic producers for international market distortions, stabilize domestic prices and protect low-income farmers. The result for U.S. exports to the region has been duties ranging up to 160 percent, if the product price is below an established minimum.

U.S. commodities affected by the price band include pork, poultry, dairy, wheat, corn, rice, soybeans, vegetable oils, sorghum, sugar and processed products such as dry pet foods that may include these products.

Designed to protect domestic producers, **absorption agreements** require importers to purchase a government-specified quantity of domestic goods at a minimum reference price as a precondition for securing import licenses for competing products. Affected U.S. commodities in Colombia, the largest regional market, include wheat, malt barley, poultry, corn, rice, sorghum, cotton, wheat flour, and oilseeds and products.

Peru, however, has eliminated most import licensing requirements, import

prohibitions and quantitative restrictions.

Ecuador imposes two restraints to certain imported commodities—subjective signature approval of imports and private sector advisory committees that can enforce purchases of local products at certain prices, at the expense of imports.

What's Next for the FTA?

FTAs pursued by the United States have a common path toward implementation. Once a legal review of the text is completed by each country and the agreement is signed, the President of the United States notifies Congress of the intent to enter into an FTA. Within 30 days of this notification, private sector advisors provide the President and Congress with assessments of the FTA.

The U.S.-Andean FTA can be signed 90 days after the President's notification. Generally, implementation will begin at the start of the calendar year after signing. ■

For further information on the U.S.-Andean FTA, please contact Charles Bertsch, FAS International Trade Policy area. Tél.: (202) 720-6278; E-mail: Charles.Bertsch@usda.gov

Rx for Entering Mexico's Vigorous Health Food Market

By Lourdes Guzman

The Mexican market for health foods has been growing steadily over the past 10 years, fueled by consumers' increasing awareness of the benefits of a healthier diet and their rising per capita incomes.

Hot Products

The products considered in this story are:

Power bars: These products include breakfast, snack or lunch bars, and meal supplements for athletes. Most are imported; however, breakfast and lunch type bars are produced locally by multinational companies such as Kellogg's, Nestlé and Quaker Foods.

Diet/fiber supplements and meal replacements: These products were popular in the early 1990s, and though demand dipped in the late 1990s, it is recovering. They are high-fiber, vitamin-rich products that provide a feeling of satiation. They generally come in the form of powder for shakes and are mostly imported.

Diet meals: These items are balanced, ready-to-eat whole meals for people interested in weight loss. Brands such as Weight Watchers, Lean Cuisine and Healthy Choice are present, but popularity is still limited. They are available only in major supermarkets, must remain frozen until used and are relatively expensive.

Soy products: These products include dry flavored meals, tofu, cereals and beverages. Some of these products are



locally manufactured, but basic ingredients are imported.

Whole grain bakery products, breakfast cereals, pastas and nut/grain mixes: Demand for these products has grown in the last five years and will likely continue to do so. They are mainly locally manufactured.

General specialty grocery products: These products include low-fat, low-carbohydrate, low-calorie, sugar-free (without artificial sweeteners) products, such as mayonnaise, salad dressings, sauces, jams, jellies, soups, canned meats, cookies, crackers and many other bottled and canned products. They are primarily imported, though domestic production is growing.

Natural muscle builder and fat burner powdered supplements: Pop-

ularity of these items has climbed with the growth of health clubs in major metropolitan areas. These products are imported.

Survey Said . . .

Mexico is estimated to have a health food market of about \$500 million per year. Consumers in this market make up 5 percent of Mexico's 100.4 million residents. They range from 20 to 50 years of age, live in major metropolitan areas and have the disposable income to spend on health food products. They spend on average \$100 per year on such items.

To obtain a good overview of the market, FAS had a contractor conduct a survey in Mexico City with a group of 200 adults of medium- to high-income levels between 20 and 50 years old. The

survey yielded several findings that may be useful for current and potential exporters:

- 98 percent tend to diet by themselves, not under doctor's supervision
- 95 percent prefer to buy fresh fruits, vegetables and meats rather than processed meals
- 5 percent said they buy or have bought frozen meals; 90 percent of them did not like the taste
- 60 percent will choose a light product over a regular one
- 60 percent mentioned that light products taste bad and are more expensive
- 50 percent have tried diet shakes; only 10 percent would continue to drink them
- 45 percent take food supplements daily
- 80 percent have no preference for a U.S. product over a Mexican one, as long as it has the same quality
- 80 percent feel that light products are less healthy than regular products
- 15 percent have had a bad experience with an imported light product
- 50 percent are willing to buy natural innovative diet products, groceries, shakes and power bars
- 20 percent tend to compare prices between light and regular items
- 40 percent prefer fresh over processed health products

When asked what the market needs, people replied more naturally derived health foods, better flavors and more variety. Many frozen diet meals do not suit Mexican tastes; consumers are more willing to prepare an easy meal at home than to consume a frozen meal that they consider to be less flavorful. The survey responses indicate that growth will be strongest in power bars, food supplements and diet pills.

Sales Channels for Health Foods

Channel	% Total Sales	% Total Imports
Specialty health food stores	35	70
Large supermarket chains, health clubs and pharmacies	15	20
Informal markets	50	10

Health Foods by Market Share

Product	% Sales
Bakery products, cereals, etc.	30
Food supplements	24
Power bars	16
Soy products	11
Specialty groceries	10
Diabetic products	6
Frozen meals	3

Measuring the Competition

Mexico meets about 70 percent of its health food demand. Domestic production has increased rapidly in the past five years and is estimated at around \$350 million. It will likely continue to grow at an average of 12-15 percent over the next five years. It is focused primarily on bakery products, power bars, cereals, nut/grain mixes, soy milk and juices, low-fat ice cream and other low-fat dairy products. The fastest growing sector is soy products. Soy is used extensively in processing meat products, cheeses and juices.

About \$150 million or 30 percent of the market is covered by imported health foods. The United States accounts for 65 percent of imports, followed by Canada with 8 percent, Spain with 7 percent and other European and South American countries with the remainder. The main imports are soy products and ingredients, food and fiber supplements, power bars and ready-to-eat meals.

Mexico's health food market will continue to grow and offer good opportuni-

ties for U.S. exporters, though as popularity grows, so will the volume and variety of domestic production. In fact, domestic production will remain the primary competitor for U.S. products.

Market Structure

The Mexican health food market has developed rapidly in the past 10 years. There are 2,000 health food specialty stores nationwide, 70 percent of them in Mexico City, Guadalajara and Monterrey. Offerings of food supplements, power bars, soy products, diet meals and other health foods have increased in general supermarkets, drugstores, department stores, health clubs and, most recently, less formal retail outlets such as mom-'n'-pop stores and street markets.

Finding the right importer or distributor combination is the single most important factor to success in this market. Here are the main types of distributors:

Specialized importers, which sell to specialty stores and supermarkets, but do not have their own stores

Major health food chains like GNC or Nutrisa with their own stores located in strategic areas

Major processors carrying a health food product line that have nationwide distribution and access to supermarkets and smaller corner stores

Informal markets, such as traders located in street markets, small stores inside municipal markets and street vendors, sell mainly domestically produced



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goods and are not considered feasible venues for imports

Health food demand has also reached the Mexican hotel and restaurant sector. In the past five years, the number of restaurants that offer healthier or diet menu items has increased dramatically. However, this sector is not yet importing processed health foods, except for a few desserts and some ingredients such as soy paste. The sector prefers to buy fresh raw ingredients and prepare them, and lacks familiarity with innovative health food products.

The Personal Touch

The best way to understand the market and prepare an effective entry strategy is to visit Mexico and talk to buyers, retailers, distributors and other players. To seize market opportunities and overcome market challenges, U.S. exporters must not only conduct routine market research, but also thoroughly review Mexican import regulations and find appropriate business contacts.

An affordable way to investigate the market is to participate in and/or attend trade shows, particularly U.S. Pavilions organized by the FAS offices in Mexico. A show can serve as a way to contact local distributors, sales agents, buyers and other business people, and to become familiar with local competition.

Personal relationships are the bedrock of Mexican business ties. Mexicans attach great importance to courtesy in all business endeavors. Many persons will not want to do business with someone who does not practice general courtesy and is considered rude or disrespectful.

For example, the concept that "time is money" should be left at the border. Although Mexican business people are quite conscious of the bottom line, courtesy and diplomacy are more important to most of them than immediately getting "down to business." Mexicans tend to be skilled at diplomacy and prefer to avoid confrontation and loss of dignity. In a potential confrontation, they strive to reach a consensus without having clearly defined winners and losers. Business is generally conducted in Spanish.

A fax or an e-mail is not considered reliable or appropriate for initial communication with a contact, and will often be completely ignored. Follow-up by e-mail or fax is appropriate, but having an in-country representative or making periodic personal visits is important.

Finding a good importer or distributor is critical. A good distributor should promote sales and make sure that the imported products are available at points of sale. Importers or distributors serve as links to buyers and in-country representatives, have the expertise to handle complicated regulations and can troubleshoot problems. Trying to save money by cutting

Key Contacts

Information on the Mexican Market and Available Services:

FAS Agricultural Trade Office
Mexico City, Mexico
Tel.: (011-5255) 5281-6586
Fax: (011-5255) 5281-6093
E-mail: atomexico@usda.gov
Web site: www.fas-la.com/mexico

FAS Agricultural Trade Office
Monterrey, Mexico
Tel.: (011-5281) 8333-5289
Fax: (011-5281) 8333-1248
E-mail: atomonterrey@usda.gov

List of USDA-Endorsed Trade Shows and Trade Missions in 2004-2005:

www.fas.usda.gov/agexport/exporter.html

these corners almost always proves to be a costly mistake in the long run.

U.S. firms should consider using a variety of marketing tools to effectively promote their products in Mexico. Be ready to provide support for in-store and media promotions to acquaint consumers with your products. Prepare brochures and other promotional materials in Spanish. Host technical seminars to inform end users, distributors and retailers of new technologies, innovations and product advantages. ■

The author is an agricultural marketing specialist in the FAS Agricultural Trade Office in Mexico City, Mexico.

For details, see FAS Report MX4304. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



U.S. Scallops Net Export Record to EU

By Joel Chetrick

The past 10 years have seen a remarkable, nearly 50-fold volume increase in U.S. scallop exports to the EU (European Union), from 55 metric tons in calendar 1993 to 2,746 tons in 2003. Export values in this market were also up, jumping from under \$1 million to more than \$25 million during the same period.

Frozen scallops comprise 51 percent of total U.S. sales volume to the EU, followed by fresh scallops (30 percent) and prepared/preserved scallops (19 percent).

Major competitors in the EU scallop market include Argentina, Canada, Chile, Denmark, Iceland, Ireland, the Netherlands, Peru and the United Kingdom.

Supply, Demand Abound

Increased supply has fueled these skyrocketing sales. Successful management measures in U.S. fishing waters have produced bountiful supplies. These measures have included restrictions on size, areas fished and commercial gear, plus limits on possession, landing and trips.

Demand is up, particularly in France. In 2003, U.S. exporters shipped \$14.2 million worth of scallops to that country, accounting for 56 percent of U.S. sales to the EU.

Other significant and growing EU markets include Belgium, with purchases of \$3.3 million, the Netherlands (\$2.8 million), the United Kingdom (\$2.7 million) and Spain (nearly \$1 million).



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Promotion of U.S. Scallops

Beginning on Oct. 1, 2004, Food Export USA Northeast will be conducting international promotions of U.S. scallops and many other seafood products. This is a cooperative effort between FAS and 10 state departments of agriculture in the Middle Atlantic and New England regions. The FAS MAP (Market Access Program) helps fund promotional activities for products covered by the group.

In recent years, the American Seafood Institute actively promoted U.S. scallop and

other seafood sales in Europe under the MAP. These promotions included trade show exhibits and other activities that targeted cash-and-carry chains and distributors. Future promotions conducted by Food Export USA Northeast will continue to focus on food service trade development.

For additional information about scallop promotions, contact Colleen Coyne, seafood coordinator, Food Export USA Northeast. Tel.: (401) 491-9017; Fax: (401) 491-9024; E-mail: ccoyne@foodexportusa.org

Strong Sales To Continue

Early trade figures in 2004 indicate another record year. From January through June, U.S. scallop exports to the EU were valued at more than \$16.3 million—up 60 percent from the same period in 2003.

U.S. scallops are price-competitive in Europe, aided by the appreciation of the euro against the dollar. Besides favorable pricing, awareness and acceptance of U.S. quality by European importers enhance demand.

According to Steve Barndollar, president of Seatrade International (a seafood supplier in Portsmouth, New Hampshire), “U.S. scallops have become more acceptable, compared to Canadian scallops of the same species. There are also larger sizes available now. U.S. scallops shipped by air now compete successfully with Scottish scallops on European markets.”

Barndollar also credited other factors, such as better sized fresh products and careful attention paid by U.S. packers to the requirements of European markets.

Fresh and frozen scallops are particularly popular in European restaurants. According to one French importer, growing demand in restaurants with Asian cuisine has helped spur U.S. sales. Also, food processors are buying scallops for use in ready-made dishes sold at retail.

Restaurants and other food service outlets usually purchase scallops from wholesalers, cash-and-carry chains and distributors that import directly from the United States.

Rising Tide for Local Fishing Economies

Scallops are a high-value seafood product, and prices have increased in recent years. Export market development has been a major factor in these price



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U.S. Scallop Exports to the EU

	1999	2000	2001	2002	2003
	\$1,000				
France	1,651	4,181	9,253	11,839	14,156
Belgium	26	23	653	1,414	3,257
Netherlands	276	991	1,596	2,471	2,786
United Kingdom	861	527	887	1,595	2,741
Spain	3	3	179	862	985
Denmark	21	18	0	219	646
Germany	7	0	7	16	360
Ireland	0	4	0	0	181
Sweden	29	115	63	27	74
Finland	0	0	0	0	5
Greece	25	20	17	36	0
Italy	0	0	53	3	0
Portugal	0	0	0	10	0
Total	2,899	5,882	12,708	18,492	25,191

increases. The average ex-vessel price per pound of scallop meats in 2002 was \$3.84, compared with \$3.73 in 2001. The 2003 price was \$4.09 per pound.

Increased scallop exports have boosted the economies of fishing communities in the eastern United States. “The large harvest is a real boon to the industry in New Bedford, Massachusetts and in Norfolk and Newport News, Virginia,” said Barndollar.

Massachusetts and Virginia usually

rank Nos. 1 and 2, respectively, for sea scallop landings and account for 79 percent of the total U.S. sea scallop fishing harvest. ■

The author is an agricultural marketing specialist in FAS' Forest and Fishery Products Division. For more information on the exports of scallops to the EU, contact that office at: Tel: (202) 720-3248; Fax: (202) 720-8461; E-mail: joel.chetrick@usda.gov

U.S. Foods Help Cater the Bermuda Experience

By Angel F. González-Trápaga

A lot of fancy food is served on this 21-square-mile paradise just 600 miles east of Cape Hatteras, North Carolina.

Not surprisingly—due to proximity, U.S. tourists and a blitz of media advertising—\$55.6 million worth of U.S. agricultural exports helped fill many plates served on the island in fiscal 2003 (according to the United Nations trade database).

The U.S. share makes up more than 75 percent of the \$74 million worth of agricultural imports. Bermuda's other significant agricultural trading partners include the United Kingdom, the Netherlands, France, New Zealand, Italy and Canada.

Tourism Benefits U.S. Suppliers

In 2003, visitors spent over \$75 million on food and beverage products. The

Value-added Sales Potential

Affluent islanders appreciate quality food items and are willing to pay a premium for them.

Popular convenience foods include:

- Specialty and gourmet foods
- Diabetic foods
- Low-carbohydrate foods
- Meat products
- Premium jams, jellies and honey

Products with good potential include:

- Organic and health foods
- Ethnic foods



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health of the Bermudian tourist economy directly affects U.S. agricultural sales to the island.

Second to the financial industry, tourism still employs the largest number of Bermudians (3,224 in 2001) and accounts for close to 10 percent of the island's \$3.57-billion gross domestic product.

However, 55-65 percent of imports are destined for the more stable retail sector, with the rest channeling mostly through the more volatile HRI (hotel, restaurant and institutional) sector.

Hospitality Industry Renewing Appeal

Bermuda's hospitality industry is reinventing itself to compensate for the fall-off of air traffic since 1999. Three large new hotels are planned, to add to the existing 63 major establishments. Additional flights are being considered to accommodate tourists. Also, the island's booming international financial business is expected to attract commercial travel.

The island currently attracts 77 per-

cent of its tourists from the United States, with British and Canadian visitors making up most of the rest.

Bermuda caters to affluent tourists and business vendors. The typical tourist is 35 or older, college-educated and white-collar. Over half are repeat visitors who stay an average of six nights, mostly between April and October. Air travelers (257,000 in 2003) spent an average of \$240 on meals and beverages; cruise passengers (226,097) spent an average of \$25.00.

But it's not just Bermuda's tourists who enjoy fine dining. Bermuda's 65,000 residents, with one of the world's highest per capita incomes of \$36,000, enjoy eating out year-round. They also appreciate well-prepared meals made from premium ingredients.

Besides many ethnic cuisines, over 150 restaurants provide dining experiences ranging from chic international venues to roadside cafés.

The institutional sector does not play a significant role in food product imports.

Retail Sector Largest

The island nation's food retail sector is composed of 22 supermarkets and grocery stores, and over 35 convenience stores including gas marts. All are locally owned. Supermarkets commonly range between 20,000 and 30,000 square feet.

Smaller groceries usually support villages and towns, but a supermarket is only a short distance away. Prices can top 350 percent over those in the United States, but Bermuda has no sales tax.

Full-Service Supermarkets

Island supermarkets are very similar to their U.S. counterparts. Large, full-service outlets may have delis, salad bars, bakeries and specialty products. They carry an extensive range of meats, seafood, fruits, vegetables and other products. Most import some items directly, which average about 25 percent of their sales. Supermarkets usually purchase other goods from local wholesalers who offer convenience and reliability.

Smaller groceries, which account for 15-20 percent of Bermuda's retail sales, tend to carry only the most in-demand brand name products but often try to carry specialty items not found in supermarkets.

Convenience stores and gas marts purchase over 90 percent of their inventory from local wholesalers. While convenience stores are usually concentrated near tourist attractions, gas marts are spread out more, on main roads and in urban pockets.

Health, Convenience Items Popular

Though affluence brings demand for high-end specialty items, certain trends are helping shape the retail market. Organic and health goods that sell well in the United States are rapidly catching on,

Import Duties Provide Major Revenues for Bermuda

Product Imported	Duty Rate (%)*
Beef, poultry and pork	5
Fish	5
Shellfish	10
All other seafood	10
Dairy products	5
Ornamental plants	33.5
Fruits and vegetables	5
Sugars and confectionery	22.25
Prepared foods	5-22.5
Pet foods	22.25
Fruit juices	10
Coffee, tea and spices	5
Mineral water	15-35
Wines	\$2.63 per bottle
Spirits	\$24.15 per liter

*A further 1.3-percent levy is added to all imports to cover fees and services.

while convenience foods appeal to islanders short on time, such as women who work outside the home.

Popular brand names have gathered momentum as island-wide delivery and Internet sales have caught on. Private labels have surfaced just recently as a viable alternative.

There is a high degree of brand loyalty among food retailers, which can make it difficult for newcomers to the marketplace. Niche products offer the best immediate prospects.

Local importers and wholesalers distribute 70 percent of food retail imports by value, while larger retailers purchase 30 percent. Supermarkets and grocery stores will order mixed container loads if they can get a better price than local distributors can offer.

Local Production Limited, Protected

Only 6 percent of the island's land is

arable. Local production consists of bananas, citrus and other fruits, vegetables, flowers, honey, eggs and dairy products; lobster is harvested from September to March. When certain domestic foods are in season, temporary embargoes are placed on imports of competing products.

In mid-2003, Bermuda formally joined CARICOM (the Caribbean Community) as an associate member. However, no air or sea cargo services exist between Bermuda and other CARICOM members—all of Bermuda's imports must transit the United States or Canada.

Experience the Island

As with any new market, newcomers are urged to conduct market research and develop a market entry plan. A trip to the island is recommended to get a feel for the market and establish personal relationships with key distributors. Some large hotels and chains import directly.

Send product literature and samples to both targeted restaurants and importers. If interest is sparked, a designated food importer or distributor will contact the supplier. ■

The author is a USDA public service leader scholar and cooperative student with FAS. For more information on this market, contact the FAS Caribbean Basin Agricultural Trade Office in Miami, FL. Tel.: (1-305) 536-5300; Fax: (1-305) 536-7577; E-mail: cbato@cbato.net

For details, see FAS Reports C14008 and C14009. To find them on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



In Honduras: A Strong Preference for U.S. Products

The signing of DR-CAFTA (the U.S.-Dominican Republic-Central America Free Trade Agreement) opens new market possibilities for U.S. exporters in Honduras and the other signatory countries (Costa Rica, Guatemala, El Salvador, Nicaragua and the Dominican Republic).

Once the agreement is ratified, more than half of current U.S. farm exports to Central America will become duty-free immediately, including high-quality beef cuts, cotton, wheat, soybeans, some fruits and vegetables, processed foods and wines. Tariffs on most other U.S. farm and food products will be phased out within 15 years. U.S. products that will benefit from improved market access include pork, beef, poultry, rice, fruits and vegetables, corn, processed items and dairy products.

Preference for U.S. Products

Still recovering from the devastating effects of Hurricane Mitch in 1998, Honduras nevertheless offers opportunities for U.S. foods. While most consumers do not have a lot of money to spend on imported foods, those who do view U.S. products as being of high quality.

Importers prefer trading with U.S. exporters because of their reliability. Improved storage and distribution facilities permit the year-round availability of U.S. fruits such as apples, pears and grapes.

Hondurans were first introduced to U.S. products beginning in the nineteenth century, through U.S. companies doing business in their country. Company employees brought their tastes with them,



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consequently making them familiar to the Honduran people.

In recent times, U.S. tastes have come to Honduras through the 600,000 Hondurans who live and work in the United States. Their income generates foreign exchange remittances to Honduran households of about \$860 million annually. Moreover, many Hondurans return home every year to share their summer and Christmas holidays with their families.

U.S.-Honduran ties are further strengthened by international assistance, exchange programs, numerous U.S. business visitors and tourists, as well as U.S. citizens residing in the Central American country. Young Hondurans identify themselves with U.S. music and fashions. Through all these bonds, many

Hondurans have adopted much of U.S. culture. Some companies are combining Honduran and U.S. foods as a marketing tool.

Since 1999, the number of tourists coming to Honduras has increased by some 84 percent. The government is encouraging tourism particularly in the Bay Islands and on the beaches and reefs of the country's northern coast. The goal is to attract 1 million tourists a year. The country is also developing the Mayan Route of archaeological and nature sites to encourage ecotourism.

Food Service and Retail Markets

The growing restaurant and hotel industry presents U.S. suppliers with remarkable potential for processed food products and raw materials. U.S. franchises

MANY HONDURANS HAVE ACQUIRED A TASTE FOR U.S. FOODS.

sprouting up in the country's main cities need raw materials, and domestic products cannot always fulfill their needs.

There is also tremendous opportunity for U.S. food producers to invest in the emerging Honduran food processing industry. This sector is struggling to modernize and presents an ideal opportunity for joint ventures that offer easy access to countries throughout Central America, which are hungry for finished goods.

Products with the best prospects in the Honduran market include meats, poultry meats, cheeses, processed fruits and vegetables, fresh fruits, fruit and vegetable juices, wines, beer, pet foods, snack foods, tree nuts, eggs, nursery products and cut flowers, salmon, surimi, ground fish and mollusks.

But the retail food sector is by far Honduras' largest market for imported foods. Consumers shop at open-air markets, U.S.-style supermarkets, specialty



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shops, convenience stores and mom-'n'-pop stores. Virtually all supermarket chains are expanding, and they are devoting increasing shelf space to U.S. products.

Promoting products during holidays is particularly effective. Easter, besides being a religious holiday, is also summer vacation for the vast majority of Hondurans, a time when they are amenable to trying new products. During Christmas, gift baskets are becoming popular. Increasingly, these baskets contain U.S. products. In June and December of every year, the

government and private sector provide bonuses to their employees. Many families make special food purchases or buy higher quality products at this time.

The Personal Relationship

As in most Latin American countries, a good personal relationship with a prospective customer is crucial to successfully penetrating the market. While it may take a little longer than is customary in the United States to establish a business relationship, the investment can pay off in long-lasting and mutually profitable alliances.

U.S. suppliers should be prepared to have either local representatives or distributors who travel to Honduras. Expect importers to take responsibility for clearing customs, merchandising, marketing and, in some cases, transporting products to retailers.

The two main business centers in Honduras are Tegucigalpa, the capital, and San Pedro Sula, the industrial center. Large importers and distributors usually have offices in both cities. ■

The author is an agricultural specialist in the FAS Office of Agricultural Affairs in the U.S. Embassy, Tegucigalpa, Honduras. For more information on the Honduran food market, contact that office at: Tel.: (011-504) 236-9320; Fax: (011-504) 236-8342; E-mail: AgTegucigalpa@usda.gov



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For details, see FAS Reports HO3006 and HO3007. To find them on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.





TRADE SHOW OPPORTUNITY

FOODEX JAPAN 2005

TOKYO, JAPAN

Venue:

Makuhari Messe (Nippon Convention Center),
Makuhari, Chiba, Japan (near Tokyo)



Dates:

March 8-11, 2005

The Market:



Japan was the United States' second-largest market for agricultural exports, and purchased over \$10.6 billion worth of food, agricultural, fish and forest products in calendar 2003—\$4.2 billion worth of it in consumer-oriented products. This is not surprising; Japan has a population of more than 127 million and a per capita income of over \$25,000. Japanese consumers have purchasing power comparable to that of buyers in the United States. Though 2004 sales have declined from the previous year, there are good opportunities for U.S. suppliers of high-quality and value-added agricultural products.

**Best
Prospects:**

Agricultural products, bread and cereals, confectionery, dairy products, delicatessen items, dietetic products, eggs, frozen food products, fruits and vegetables, herbs and spices, ingredients, oils, organic products, seafood, seasonings, condiments and soup stock

**Food Show
Plus!:**

Pre-show registration and product research, translation services, on-site assistance, industry tours, qualifying leads, pre-arranged meetings—all for a low fee!

Contact:

Khaliaka Meardry
FAS Trade Show Office
Washington, DC
Tel.: (202) 720-3065
Fax: (202) 690-4374
E-mail: Khaliaka.Meardry@usda.gov





TRADE SHOW OPPORTUNITY

FOOD AND HOTEL KOREA

SEOUL, SOUTH KOREA

Venue: COEX—Seoul's premier trade exhibition location!

Dates: March 16-18, 2005

The Market: Advantages for U.S. exporters lie in consumer-oriented, high-value processed products. Total Korean imports of consumer-ready products increased 9 percent in 2003 to \$3.7 billion, nearly 40 percent of which were from the United States. Imports of U.S. consumer-oriented products increased 17 percent in 2003, double that of total imports. As statistics indicate, U.S. products have significant advantages in the Korean market; many Koreans are familiar with the taste and style of U.S. food products, and because the English language is so prevalent, labels on U.S. food products are easily understood. U.S. exporters will have even greater opportunities in the near term to supply processed foods, portion-controlled items and private brands to Korean consumers, retailers and importers.

Best Prospects: Fruits and vegetables, processed foods, poultry, confectionery, snack foods, convenience foods, seafood, nonalcoholic beverages, wines and spirits, dried fruits and nuts, dairy products and grains

Food Show Plus: Pre-show registration and product research, translation services, on-site assistance, industry tours, qualifying leads, pre-arranged meetings—all for a low fee!

Contact: Khaliaka Meardry
FAS Trade Show Office
Washington, DC
Tel.: (202) 720-3065
Fax: (202) 690-4374
E-mail: Khaliaka.Meardry@usda.gov






TRADE SHOW OPPORTUNITY

GULF FOOD 2 0 0 5

DUBAI, U.A.E.

The Show:



Dubai, the U.A.E. (United Arab Emirates), is strategically located at the crossroads of Asia and Africa, and serves as a gateway to markets of close to 2 billion people in the Middle East, East Africa and India. Firmly established as the Middle East's business, financial and commercial center, Dubai has a highly developed transportation infrastructure that includes the world's largest manmade port, Jebel Ali, plus global and regional air cargo links. Dubai is situated as the ideal trade and distribution center for the Middle East region, especially to the U.A.E.'s fellow members of the Gulf Cooperative Council (Bahrain, Kuwait, Oman, Qatar and Saudi Arabia).

The U.S. pavilion will consist of 50 booths, including 45 exhibitor booths, a trade lounge and an information center, built around a "Main Street USA" central theme. Gulf Food 2003 attracted over 10,000 registered traders from around the world, the largest number at any Gulf Food show ever, most of whom visited the U.S. pavilion.

Location:

The U.S. pavilion at Gulf Food 2005
The World Trade Center, Dubai, U.A.E.

Dates:


Feb. 20-23, 2005

Deadline:


November 2004 (Tentative)

Contacts:

Mike Henney
Agricultural Trade Officer
FAS Agricultural Trade Office
Dubai, U.A.E.
Tel.: (011-971-4) 311-6000
Fax: (011-971-4) 311-6189
E-mail: atodubai@emirates.net.ae



Mohamed Taha
Pavilion Coordinator
FAS Agricultural Trade Office
Dubai, U.A.E.
Tel.: (011-971-4) 311-6000
Fax: (011-971-4) 311-6189
E-mail: atodubai@emirates.net.ae



Tobitha Jones
Pavilion Coordinator
FAS Trade Show Office
Washington, DC
Tel.: (202) 690-1182
Fax: (202) 690-4374
E-mail: Tobitha.Jones@usda.gov

Trade Notes...

FAS public affairs specialist
Donald Washington is at (202) 720-3101;
E-mail: Donald.Washington@usda.gov

USDA Requests Petitions for Trade Adjustment Assistance for Farmers Program

Groups of U.S. agricultural producers seeking assistance under the TAA (Trade Adjustment Assistance) for Farmers Program for fiscal 2005 may submit their requests to FAS through Jan. 31, 2005.

Under the TAA program, USDA provides technical assistance and cash benefits to eligible farmers and fishermen whose crops or catch have been adversely affected by imports of like or directly competitive commodities. After a petition has been certified for a group, eligible farmers and fishermen will have 90 days to apply for assistance.

FAS must receive petitions by 5 p.m., Eastern time, Jan. 31, 2005. Petitions can be submitted by: **Fax: (202) 720-0876; E-mail: trade.adjustment@fas.usda.gov**; or **Mail: U.S. Department of Agriculture, Foreign Agricultural Service, Trade Adjustment Assistance Office, 1400 Independence Avenue SW, STOP 1021, Washington, DC 20250-1021.** Use of fax or e-mail is preferred.

The TAA petition form is located on the Web at: **www.fas.usda.gov/itp/taa/resource.htm**. For further information or questions about completing the form, contact the **TAA coordinator, Tel.: (202) 720-2916**. General information about the TAA program can be found on the program's Web site: **www.fas.usda.gov/itp/taa/taaindex.htm**

USDA To Promote Exports at South Africa Trade Show

U.S. companies can exhibit in the American Café at Hostex 2005 in Johannesburg, South Africa, March 13-16, 2005. South Africa is a growing market with a burgeoning tourist industry. Because of this growth in tourism, a vast array of hotels, guesthouses, restaurants, cafés, resorts, country clubs, fast-food outlets, bars, airlines and supermarkets are looking for a wide variety of imported food and beverage items. In addition, South Africa, with an expanding middle class and a relatively stable economy, presents growing opportunities for U.S. exports of specialty food products. With its well-developed transportation infrastructure, South Africa serves as an export hub to markets throughout the region. Products with the best prospects for this show include pasta, sauces, candies, snack foods, fresh fruits, seafood, poultry, pet foods and dairy products.

For a minimal fee of \$400, a company can have its products displayed and sampled without the full expense of having a booth at the show.

For more information on exhibiting at Hostex, or for information on other USDA-endorsed shows, contact: **Tobitha Jones, FAS Trade Show Office; Tel.: (202) 690-1182; Fax: (202) 690-4374; E-mail: Tobitha.Jones@usda.gov**



Also in This Issue:

- The EU's voracious appetite for U.S. scallops
- Mexican consumers' growing appetite for health foods
- Bermuda's burgeoning purchases of U.S. foods and beverages
- Trade show opportunities for markets in Europe, the Middle East and Asia

And Next Time, Turn to AgExporter for:

- The history of FAS food aid efforts
- The Philippine market for U.S. beef

United States Department of Agriculture
Washington, DC 20250-1000

